

INDIANA ECONOMIC  
DEVELOPMENT CORPORATION

---

May 1, 2006

Amber Merlau St. Amour  
Staff Attorney  
Department of Local Government Finance

Dear Ms. St. Amour,

Pursuant to IC 4-22-2-28, the Indiana Economic Development Corporation ("IEDC") has reviewed the economic impact analysis for small business associated with rule 50 IAC 4.2-4-3 proposed by the Department of Local Government Finance ("DLGF"). The proposed rule provides an additional method for taxpayers to separate bundled computer application software (intangible property not subject to personal property taxation) from computer hardware, which is considered tangible property for the purposes of personal property taxation. A method for the valuation of computer application software is required by P.L.214 - 2005 (HEA 1120-2005). The rule allows businesses to determine the true tax value of computer software using a professional appraisal or by utilizing the cost, market, and income approaches.

Based on internal research and consultation with industry representatives, the DLGF estimates that approximately 350 small businesses may be affected by the rule changes. Annual administrative costs to small businesses are estimated at approximately \$100. Importantly, the rule does not create any impact for small businesses that do not elect to use either of the new valuation methods to determine the tax value of their computer application software. Additionally, the rule creates the potential for cost savings for small businesses that will now be able to separate the value of intangible software from the value of tangible computer hardware for property tax purposes. The administrative costs of the rule would be paid by businesses that believe they can achieve property tax savings by utilizing one of the new valuation methods. The IEDC does not object to any of the provisions contained in the rule.

If you have any questions about the comments contained herein please contact me at 232-8962 or [rasberry@iedc.in.gov](mailto:rasberry@iedc.in.gov).

Regards,



Ryan Asberry  
Director - Research  
Indiana Economic Development Corporation